GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1163
ANSWERED ON:07.03.2008
EXTERNAL DEBT
Barman Shri Hiten

Will the Minister of FINANCE be pleased to state:

(a) the amount of external debt outstanding against the country during each of the last three years with percentage increase;

(b) the rate of interest on which short term,long term debts were negotiable;

(c) the amount of interest paid on it during the same period;

(d) whether liberalisation of economy has helped in reducing external debt;

(e) if so, the reaction of the Government thereto; and

(f) the steps taken by the Government to reduce such debt?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI P.K. BANSAL)

(a) Data on India's total external debt and its percentage increase during the last three years are given in the Table below:

Table : India's External Debt Outstanding At end

	External Debt Outstanding	(US $ billion)	Increase (%)
1	2	3	
March 2005	R	132.97	19.1
March 2006	R	138.13	3.8
March 2007	R	169.63	22.8

R: Revised

(b) Rates of interest differ for sovereign and non-sovereign borrowings. Sovereign loans carried interest rates which were generally lower than the prevailing market rate. As regards non-Government (private) loans, short-term loans and credits (up to one year maturity) were allowed to be raised at LIBOR plus 50 basis points, and long-term loans at LIBOR plus 125 to 350 basis points under external commercial borrowing. The exact rates of interest, however, depend on the terms settled between the lenders and borrowers.

(c) The amount of interest paid on the total external debt for the last three years is given in the Table below:

Table: Amount of Interest Paid

Year		Amount of Interest paid (US $ billion)
1	2	
2004-05	R	3.04
2005-06	R	5.22

R: Revised

(d) & (e) Yes, Sir. External debt as a proportion of GDP came down from 38.7 percent in 1991-92 to to 17.9 per cent in 2006-07. Debt-service ratio improved from 30.2 percent to 4.8 per cent and the foreign exchange reserves cover of external debt rose from 10.8 per cent to 117.4 per cent during the same period.

(f) Prudent external debt management policy of the Government aims at maintaining external debt within manageable limits.This includes emphasis on raising sovereign loans on concessional terms with longer maturities, prepaying high cost loans, rationalising interest rates on NRI deposits, restricting end-use of external commercial borrowings, monitoring of short-term debt and encouraging non-debt creating capital flows.